

**Prepared by: Benefits and Entitlements Team, September 16, 1997  
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**For Additional Information: (703) 696-6301 or DSN 426-6301  
Fax: (703) 696-4705 or DSN 426-4705**

## **DISABILITY RETIREMENT**

### ***A Guide for Human Resources Specialists***

**Defense Civilian Personnel Management Service  
Field Advisory Services Division  
1400 Key Boulevard, Suite B-200  
Arlington, VA 22209-5144**

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## **Introduction**

The purpose of this reference guide is to provide personnelists with information that will be helpful when counseling employees about applying for disability retirement under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). In addition, it provides information concerning the application, the application process, requirements for approval of total disability, annuity computation formulas and the post-approval or post-disapproval implications.

An application for disability retirement may require more processing time than other retirement claims at the Office of Personnel Management (OPM). Therefore, it is important that the initial transmittal of the application and required documents be complete and accurate.

## **Eligibility Requirements**

To receive an annuity based on disability, applicants must satisfy the following basic criteria:

### ***Under CSRS:***

- must have completed 5 years of creditable civilian service
- have become disabled, while subject to the retirement system, resulting in a service deficiency in performance, conduct, or attendance, or if there is no service deficiency, the disability must be incompatible with either useful and efficient service or retention in the position
- disabling medical condition must be expected to continue at least one year from the date application is filed
- employing agency must be unable to accommodate the disabling medical condition in the position held or in an existing vacant position (same grade or pay level and tenure that is located in the same commuting area)
- application must be filed with the employing agency before separation, or if separated, with the former employing agency or OPM within 1 year of separation

### ***Under FERS:***

- must have completed 18 months of creditable civilian service
- have become disabled, while subject to the retirement system, resulting in a service deficiency in performance, conduct, or attendance, or if there is no service deficiency, the disability must be incompatible with either useful and efficient service or retention in the position
- disabling medical condition must be expected to continue at least one year from the date application is filed
- accommodation of the disabling medical condition in the position held must be unreasonable
- must not have declined an offer of reassignment to a vacant position (same grade or pay level and tenure that is located in the same commuting area)

### **Requirements for Approval**

Reference: Title 5, Code of Federal Regulations, Part 831, Subpart L (CSRS), and Part 844 (FERS); CSRS and FERS Handbook, Chapter 60 & 61

The employee must complete the SF 3112, "Documentation in Support of Disability Retirement Application," and the appropriate "Application for Immediate Retirement," (SF 3107 for FERS and SF 2801 for CSRS). In addition, the following documents must accompany the application:

- Appropriate medical documentation
- **Copy** of the appropriate "Summary of Federal service" (SF 2801-1 for CSRS and SF 3107-1 for FERS)
- Current position description, performance standards, critical elements, and latest performance appraisal

*Note: DO NOT SEND HEALTH AND LIFE INSURANCE ELECTION DOCUMENTS UNTIL APPROVAL IS RECEIVED FROM OPM.*

*(The personnel office must ensure the completeness of the applications before forwarding to payroll.)*

Once OPM receives the application, documentation is reviewed with attention to the following considerations:

1. Documentation of a deficiency in service with respect to performance, conduct or attendance.
2. Documentation of a medical condition, disease or injury.
3. A relationship between the service deficiency and the medical condition such that the medical condition caused the service deficiency.
4. The duration of the medical condition, both past and expected.
5. Clear medical documentation which supports that the applicant cannot perform useful and efficient service in, or by retention in the position. *(Useful and efficient service is defined as "performing the critical elements of the position at an acceptable level. It also means conduct and attendance are satisfactory.")*
6. The availability of another position, within the employing agency and commuting area, at the same grade or pay level and tenure, for which the applicant is qualified for reassignment.

If an individual separates/resigns from Federal employment, he/she has one year following separation to file a disability retirement application. The application must be received by OPM or the former employing agency within one year after separation.

OPM will not accept an application that is **post marked** within the time limit. This time limit can be waived only when an applicant is mentally incompetent. The application will be accepted by OPM if filed within one year from the date applicant is restored to competency or a guardian is appointed, whichever is earlier. Send application to:

Office of Personnel Management  
Civil Service Retirement System (or Federal Employees'  
Retirement System)  
Employee Services and Records Center  
Boyers, PA 16017

*Note 1: If the applicant files within 30 days after separation, the application is processed through the servicing personnel office. Every effort should be made, even after the 30 days, to have documentation on the applicant's disability from the former position.*

*Note 2: Applicants covered under CSRS-Offset or FERS must provide evidence that he/she has applied for Social Security disability benefits. (See sections "Social Security and Disability Benefits" and "FEDMER" of this guide for additional information.)*

### **Medical Documentation**

Different documentation is required for medical conditions, diseases and injuries. The documentation must provide enough information to allow the OPM Disability Specialists to determine that the medical condition meets the eligibility requirements as they pertain to the medical condition. Cases may be reviewed by the activity's medical clinic physician to make a preliminary determination before sending the application package to OPM for final approval.

There is a series of checklists that can be used by applicants considering a disability retirement to assist doctors in preparing the medical report. These checklists identify various tests and examinations to help the Disability Specialist who reviews the application for disability. These checklists are available on the FAS website at [http://www.cpms.osd.mil/fas/benefits/be\\_is.htm](http://www.cpms.osd.mil/fas/benefits/be_is.htm) "Disability Retirement - Disability Information Sheets."

### **OPM Review**

If the applicant is a current employee, the application is processed by the servicing personnel office and payroll office, and sent to the Retirement Operations Center (ROC) in Boyers, PA. The ROC will establish a case file, assign a Civil Service Annuity (CSA) number, and forward the application to the Disability Division, Office of Personnel Management, Washington, D.C. The Disability Division assigns the case to the appropriate Branch based on the last digit of the CSA number.

Questions concerning specific applications may be directed to the Disability Division. If the CSA number has not been received, contact OPM at (202) 606-0290 or 0280. If the CSA number has been received, assignment of applications is accomplished in the following manner.

### **Initial Disability Branch I**

This Branch processes initial disability determinations with a CSA last digit number between 0 - 4.

Telephone Number: 202-606-0290

### **Initial Disability Branch II**

This Branch processes initial disability determinations with a CSA last digit number between 5 - 9.

Telephone Number: 202-606-0294.

The application is initially reviewed to determine whether the eligibility criteria supports the disability. The application may be approved or disapproved.

If the application for disability is approved, the applicant and the activity are notified and the application is sent to the Claims Division for adjudication. The monthly annuity is based on the appropriate disability formula.

### **Notification of Approval**

**Approval:** After OPM makes the determination that an applicant's disability retirement is approved, the personnel office must follow these steps:

- 1) File a copy of the notice of approval on the right side of the Official Personnel Folder (OPF).
- 2) Contact the applicant to ensure he/she received the notice from OPM and establish a date of separation. Once an application for disability retirement has been approved, the supervisor **cannot allow the applicant to continue to work**. The supervisor signed a statement indicating that the applicant could not perform useful and efficient service; therefore, the applicant must not be allowed to remain in an active duty status. The following information must be considered in establishing a separation date:

**Annual Leave:** In accordance with many Comptroller General decisions, terminal leave is not appropriate when it is known that an employee is separating from the Federal government.(34 Comp. Gen. 61 and 24 Comp. Gen. 511) If the applicant is on annual leave, he/she must be separated not later than the end of the pay period in which the notice of approval is received by the personnel office.

**Voluntary Leave Transfer Program (VLTP):** For applicants participating in the VLTP, leave donated may not be used for any purpose past the end of the pay period during which the notice of approval is received. If there is excess donated leave, it must be returned to the donors through the appropriate process and cannot be included in the lump-sum payment.

*Note: When an applicant is in the VLTP, the transferred annual leave should be posted to the applicant's leave account retroactively. Communication with the payroll office on the status of the disability and status of transferred leave will ensure that the first day of leave without pay (LWOP) will be set to the applicant's benefit.*

**Sick Leave:** If the applicant has a sick leave balance, he/she can either: (1) use any or all of the remaining sick leave to include earned sick leave to establish a separation date; or (2) establish an immediate separation date and, if CSRS, use the sick leave in the computation of the annuity. If the applicant chooses to be separated immediately, the separation action must be effective no later than the end of the pay period in which the notice of approval is received. If sick leave is used, the effective date of the disability retirement will be the expiration of the sick leave. There is no limit to the amount of earned sick leave an applicant can use.

*Note 1: FERS employees with a CSRS component can receive credit for unused sick leave in the computation of the annuity using the lesser of: (1) the sick leave balance at the date of transfer to FERS or (2) the sick leave balance at the date of the disability retirement.*

*Note 2: A disability retirement should never be effected prior to OPM's approval date. (See the CSRS and FERS Handbook, Chapter 60, Sec 60A6.1-2D. and the Guide to Processing Personnel Actions, Chapter 3, Table 3-A Rule 6)*

3) Send the original approval letter from OPM to the payroll office to determine last day of pay. Contact OPM as soon as possible either by FAX or phone to give the last day in a pay status. The disability retirement annuity commences on the day after (1) separation from service, or (2) last day in a pay status (for example, if an applicant was on LWOP pending approval of the retirement).

4) Finalize the "Summary of Federal Service" (SF 2801-1 for CSRS and SF 3107-1 for FERS) by inserting the retirement date. If the applicant met all eligibility requirements to continue Federal Employees' Group Life Insurance (FEGLI) coverage, complete the SF 2819, "Notice of Conversion Privilege (FEGLI)," SF 2821, "Agency Certification of Insurance Status," and ensure the applicant completes the SF 2818, "Continuation of Basic Life Insurance Coverage." If information is not readily apparent in the Federal Employees Health Benefits (FEHB) documentation (that is, all prior SF 2809's, and 2810's, and any related documents) include a memorandum with the FEHB documentation. This memorandum should include information that formerly would have been given in the remarks section of the transfer-out SF 2810. The SF 2810 is no longer

required. Remove all SF-176, 176-T, 2817, 2809 and 2810's from the OPF and forward them to OPM. Copies of these forms should be made and filed in the OPF.

5) Process the SF 50 by using the NOA code 301 (CSRS & FERS), authority code SUM 5 U.S.C. 8337 (CSRS); or authority code USM P.L. 49-335 (FERS).

### **Disability Annuitant Responsibilities**

The applicant should be informed that if the disability retirement is approved, he/she will be responsible for certain actions.

**Periodic Medical Reviews:** OPM may ask the disability annuitant to provide current medical information up until the age of 60. OPM uses this information to determine whether or not the annuitant has recovered from the disabling condition(s) which were present at retirement. If asked by OPM to provide this information and the annuitant fails to respond, the annuity payments may be suspended until receipt of the information by OPM. If OPM finds the annuitant recovered, based on the medical documentation submitted, the annuity will stop one year from the date of the medical examination or upon reemployment in the Federal service, whichever occurs first.

**Restoration to Earning Capacity:** Each disability annuitant, under the age of 60, must report to OPM annual income from wages and/or other self-employment. In February each year, OPM sends a questionnaire to disability annuitants under age 60 to determine their earnings for the previous calendar year. This survey form is called the "Annuitant's Report of Income." OPM will suspend the disability annuitant's payments if this information is not provided annually. If the annuitant's income equals at least 80% of the rate of pay for the position occupied immediately prior to retirement, OPM determines that the annuitant is "restored to earning capacity." The annuity will stop at the expiration of 6 months from the end of the calendar year in which earning capacity is restored or upon reemployment in the Federal service, whichever occurs first. ("Earnings" include all income from wages and self-employment actually received, plus deferred income which was earned during the calendar year in question. This includes income subject to FICA or self-employment taxes. "Earnings" does not include gifts, pensions/annuities, Social Security benefits, worker's compensation, insurance proceeds, unemployment compensation, rents/royalties not involving or resulting from personal services, interest/dividends not resulting from the annuitant's own trade or business, money earned before retirement, inheritances, capital gains, prizes/awards, fellowships/scholarships and net business losses.)

### **Annuity Options Upon Restoration or Recovery**

If a disability annuitant's benefits are terminated because OPM found the annuitant either restored to earning capacity or recovered from the disability, and the individual is not reemployed in a position subject to the retirement system, he/she may be entitled to some benefit from OPM. The individual is deemed involuntarily separated as of the date the



annuity terminates and may qualify for an annuity based on that deemed involuntary separation.

A **discontinued service annuity** may be payable if: 1) the annuitant is at least age 50 when the disability annuity stops and has at least 20 years of service (not including the time spent while in receipt of the disability annuity); or 2) the annuitant has at least 25 or more years of service regardless of age. If either of these apply, a **CSRS** discontinued service annuity will begin the day after the disability annuity stops. The **CSRS** discontinued service retirement will be subject to the 2% reduction for each year under age 55. Under **FERS**, the discontinued service annuity commences on the first day of the month following the termination of the disability annuity. Under **FERS**, there is no reduction for age. (CSRS/FERS Handbook, Chapter 44, 5 U.S.C. 8336(d), 5 CFR 831.504, 5 U.S.C. 8414(b), 5 CFR 842.206 & 842.211)

A **voluntary optional retirement** may be payable if the annuitant meets the age and service requirements at the time the disability terminates. Under **CSRS**, the annuitant must be: 1) age 62 with 5 years of service; 2) age 60 with 20 years of service; or 3) age 55 with 30 years of service. The annuity begins the day after the disability annuity stops. Under **FERS**, the annuitant must be: 1) age 62 with 5 years of service; 2) age 60 with 20 years of service; or 3) at their minimum retirement age (MRA) with 30 years of service, or 4) at MRA with 10 years of service. For an individual to be eligible for an MRA + 10, they must have had at least 10 years at the date of separation and have reached their minimum retirement age. The MRA + 10 will be subject to a 5% reduction in annuity for each full year under age 62. The annuity commences the first day of the month following the termination of the disability annuity. (CSRS/FERS Handbook, Chapter 41 & 42, 5 U.S.C. 8333, 8336, and 8345, 5 CFR Part 831, 5 U.S.C. 8410, 8412, and 8464, 5 CFR 841, 842, and 846, 5 U.S.C. 8412(g))

Under **CSRS**, a **deferred annuity** begins at age 62 with a minimum of 5 years civilian service. Under **FERS**, a deferred annuity begins at age 62 with 5 years of civilian service or at the MRA with at least 10 years of prior Federal service. For **FERS** annuitants, the annuity begins on the first day of the month after the disability annuity stops. The annuity is not reduced if the individual postpones the annuity to age 62. (CSRS/FERS Handbook, Chapter 45, 5 U.S.C. 8333 and 8338, 5 CFR Part 831, 5 U.S.C. 8410, 8413, and 8464, 5 CFR Parts 841 and 842)

An annuity, as stated in one of the provisions above, is based upon the same average salary used in the disability retirement with no adjustment for COLAs while on the disability rolls. If the disability was computed based on the guaranteed minimum computation, only actual service is used in the computation of the new annuity. This may result in a lower percentage of the high-three average salary than that used in the original disability computation.

### **Notification of Disapproval**

If OPM disapproves a disability retirement, the applicant has the opportunity to appeal the decision and ask for reconsideration. The reconsideration request must be in writing and must be received by OPM within 30 days after the initial decision. Specific instructions on how to request the reconsideration will be provided by OPM in the notice of disapproval. Once OPM reviews the request for reconsideration, the personnel office and the applicant will be notified of the final decision. If OPM's final decision is to disapprove the application, the applicant may appeal to the Merit Systems Protection Board (MSPB). The appeal must be filed within 25 days of the date of the reconsideration.

*The Reconsideration Branch at OPM may be contacted at 202-606-0280. To contact the Appeals Branch call 202-606-0287.*

### **Amount of Annuity**

#### **CSRS:**

A disability annuitant receives the **HIGHER** of: 1) the amount obtained using the general formula for computing the basic annual annuity (the "earned annuity") or 2) the "guaranteed minimum".

#### **"Earned annuity" Computation:**

- 1) 1.5% X high-3 average salary X first 5 years of service, plus
- 2) 1.75% X high-3 average salary X years of service between 5 and 10, plus
- 3) 2% X high-3 average salary X years of service over 10.

The "earned annuity" is used when the annuitant has over 21 years and 11 months of creditable service or is already age 60 (or is a military retiree). If the service contains periods of deposit service, the annuitant may want to make a deposit to increase the disability annuity. Apply the appropriate deposit rules. Redeposit service must be paid for the service to be included in the annuity computation.

### **“Guaranteed Minimum” Computation:**

LESSER of the two following amounts:

- 1) 40% X high-3 average salary ,

OR

- 2) amount obtained under the “earned annuity” after increasing the actual years, months, and days of service by the total years, months, and days remaining from the commencing date of the annuity through the date the annuitant becomes age 60.

If the disability annuity is computed using the **“guaranteed minimum”** formula, it may not be to the annuitant's benefit to make a deposit/redeposit. This is because the “guaranteed minimum” may equal the **40% limit** whether or not the deposit/redeposit is paid. If all service, military and civilian added together, equals less than 21 years and 11 months of service, then payment of the deposit or redeposit would not benefit the annuitant in most cases. If the disability annuity is computed using the "earned annuity" formula after **projecting service to age 60**, the payment or nonpayment of the deposit **will affect** the computation.

**Military Deposits:** Annuitants who are receiving military retired pay or compensation from the Department of Veterans' Affairs in lieu of military retired pay are not eligible for the guaranteed minimum disability computation or to use any military service, unless the military retired pay was awarded 1) on account of a service-connected disability incurred in combat, 2) caused by an instrumentality of war, or 3) is receiving retirement under title 10 U.S.C., Chapter 67. The annuitant may waive the military retired pay and renounce certain types of VA benefits to receive credit for the military service in the computation of the disability annuity. Annuitants not receiving military retired pay or compensation from the Department of Veterans Affairs are subject to the normal rules governing military deposits. Military deposits must be made to the employing agency prior to separation and before final adjudication of the disability annuity. (Reference: 5 CFR 831.301(c) and the CSRS and FERS Handbook, Chapter 22, Section 22A4.1-1B.)

*Note 1: The above formula is applicable for a law enforcement officer, firefighter, or air traffic controller retiring on disability even if the annuitant is eligible for optional retirement under the special annuity provisions provided for such applicants.*

*Note 2: If the annuitant is age 60 or older, the annuity will be computed as an “earned annuity” because of the age limitations on the guaranteed minimum annuity computation.*

***FERS:***

**Under Age 62 at Retirement AND Ineligible for Voluntary Retirement**

The disability annuity is computed using a formula that recomputes the annuity after the first 12 months and again at age 62. The procedure is described below:

**For the first 12 months, the annuitant will receive:**

60% X high-3 average salary

MINUS

100% of the Social Security disability benefit

OR

the “earned annuity” if it is greater (1% x high-3 average salary x years of service)

**After the first 12 months, the annuitant will receive:**

40% X high-3 average salary

MINUS

60% of Social Security disability benefit

OR

the “earned annuity” if it is greater

At age 62, the disability annuity is recomputed to an amount that represents the annuity received if he/she had continued to work until the day before the 62nd birthday, retiring under FERS non-disability provisions. The high-3 average salary will be increased by all FERS COLAs that were effective during the time the annuitant was receiving the disability retirement. OPM will then use the FERS basic annuity formula (“earned annuity”) to compute the new annuity.

**Age 62 or Older at Disability Retirement OR Eligible for Voluntary Retirement**

The annuity will be computed using the “earned annuity” formula. If the annuitant has less than 20 years of creditable service at the date of separation, use the following formula:

1% X high-3 average salary X years and months of creditable service

If the applicant has at least 20 years of creditable service and is age 62 or older, use the following formula:

1.1% X high-3 average salary X years and months of creditable service

*Note 1: Annuitants who have a CSRS component, must use the CSRS formula described previously for the service performed prior to the FERS service. CSRS-Offset service will always be used in the FERS computation.*

*Note 2: Disability annuitants are not eligible for the retiree annuity supplement or the alternative form of annuity.*

*Note 3: If a firefighter/law enforcement officer or air traffic controller is eligible for the special formula calculation (20 years of special coverage and at least 50 years of age), use the appropriate calculation.*

### **Social Security and Disability Benefits**

Applicants covered by **CSRS-Offset or FERS** who apply for disability retirement, must file an application for **Social Security** disability benefits. OPM will not pay any amount of annuity, even interim payments, until proof that the applicant applied for Social Security is received. If Social Security benefits are received after annuity payments begin, the annuitant must notify OPM of those payments. Large overpayments from OPM occur when notification is not received timely. If this occurs, the annuitant will have to pay back this overpayment to OPM.

If the disability applicant is on sick or donated leave, the Social Security office may deny benefits because the applicant is still gainfully employed. If this occurs, the applicant must reapply for Social Security benefits once pay/work stops and submit evidence of the new Social Security application to OPM.

Benefits from the Social Security Administration (SSA) disability program are awarded based on the inability to work due to any medically determinable physical or mental impairment expecting to result in death or can be expected to last for a continuous period of not less than 12 months. SSA uses a standard called SGA (substantial gainful activity) and is defined as work not necessarily performed on a full-time basis, but generally includes average earnings of \$800 or more a month.

### **FEDMER**

OPM, the Social Security Administration (SSA) and several Federal agencies have been working together to develop a test project to provide better customer service to Federal employees applying for disability benefits under FERS and SSA. This test project is

called "**FEDMER**," Federal Medical Evidence of Record. Effective September 1, 1999, FERS employees who apply for a disability retirement and **reside in Virginia, Maryland, the District of Columbia, Delaware, Pennsylvania, or West Virginia** may participate in FEDMER. This project is not based on an applicant's work location. CSRS-Offset employees and employees receiving benefits from the Office of Workers' Compensation Program (OWCP) are not eligible to participate in the FEDMER project.

The law requires FERS disability benefits be reduced by any Social Security Disability Insurance (SSDI). As stated above, currently a FERS disability applicant must submit the necessary application (i.e., medical documentation and proof of application for SSDI benefits) through the servicing personnel office for processing and to OPM for final approval. In most cases, the SSA denies the application because the applicant is still "gainfully employed," therefore, the applicant must reapply to the SSA once the FERS disability application is approved by OPM. This results in the applicant submitting two sets of medical documentation, one to OPM and one to SSA. This may delay receipt of the FERS disability retirement and SSDI benefits, cause erroneous SSDI denials based on substantial gainful activity (SGA), and possible FERS overpayments.

FEDMER provides an opportunity to streamline the application process. This starts with the "one-stop" service at the employee's personnel office by applying for both the FERS disability retirement and SSDI benefits at the servicing personnel office. For further information on the FEDMER process and procedures, the FEDMER reference guide is available at [http://www.cpms.osd.mil/fas/benefits/be\\_ref.htm](http://www.cpms.osd.mil/fas/benefits/be_ref.htm).

### **Survivor Benefits**

**CSRS:** Married applicants must make a survivor benefit election on the application for disability retirement. The maximum survivor benefit election is 55% of the unreduced annuity. The applicant may elect less than the maximum survivor benefit or no survivor benefit, but must receive the spouse's consent to do so. The spouse's written consent is part of the retirement application, which must be signed and notarized. The cost to provide a survivor benefit is 2 1/2% of the first \$3,600 of the annuity base and 10% of the remainder. Court orders dated on or after May 5, 1985, awarding a former spouse survivor annuity may affect an election to provide a current spouse benefit. Applicants should be aware of this at the time of separation and understand that OPM will make the final determination of payment for survivor benefits.

**FERS:** Married applicants must make a survivor benefit election on the application for disability retirement. The maximum survivor benefit election is 50% of the unreduced annuity, with a cost of 10% of the basic annuity. The applicant may elect 25% (less than the maximum) of the unreduced annuity, or no benefit, but must receive the spouse's consent to do so. The spouse's written consent is part of the retirement application, which must be signed and notarized. The cost to provide the 25% survivor annuity is 5% of the basic annuity.

If death occurs before reaching age 62, and a full survivor benefit was elected, the survivor will receive an annuity equal to 50% of the basic annuity using the “earned annuity” formula. The high-3 average salary will be increased by all FERS COLAs from the date of retirement to the date of death. The length of service is also increased by the years and months the deceased was an annuitant plus the years and months between the date of death and the 62nd birthday.

*Note: Disability annuitants may not elect an "Insurable Interest" survivor annuity.*

***For more information on the survivor elections, refer to “A Reference Chart for Personnelists: Survivor Elections, Requirements, Allowable Changes & Court Orders” available at [http://www.cpms.osd.mil/fas/benefits/be\\_ref.htm](http://www.cpms.osd.mil/fas/benefits/be_ref.htm).***

### **FEHB**

If the applicant is enrolled, FEHB coverage will continue into retirement if he/she has been continuously enrolled in a plan under the Federal Employees Health Benefits Program for five years of service immediately preceding retirement, or for all service since the first opportunity to enroll. If the applicant is enrolled in FEHB, CHAMPUS/TRICARE coverage and coverage as a family member under a spouse’s FEHB enrollment counts toward the five year requirement.

After retirement, the annuitant will normally have the same options as an employee. For example: the annuitant can change to self only at any time; change to self and family if there’s a change in marital/family status; change plan or option if the annuitant moves outside of the service area of the plan; and make open season changes. The cost and coverage remains the same for annuitants as employees. At age 65, Medicare will become the primary insurance and the FEHB coverage will become secondary.

*Note: Since, in most cases, the disability annuity will begin retroactive to the day after pay ceases, health benefit premiums are collected retroactive to the date annuity commences. There is no need for the agency to request collection for past due FEHB premiums. A refund or adjustment will be made if premiums were paid by the applicant during a period of LWOP.*

### **FEGLI**

The applicant must also meet a five year requirement to continue FEGLI coverage into retirement. The applicant will need to complete the SF 2818, Continuation of Basic Life Insurance Coverage, to elect a reduction option. These options are:

- 1) 75% reduction, which means the Basic life insurance will reduce 2% per month down to 25% of the Basic amount in force at the time of retirement;

2) 50% reduction, which means the Basic life insurance will reduce 1% per month down to 50% of the Basic amount; or

3) No reduction, which means the Basic life insurance remains at full value.

The reduction begins at age 65, or retirement, whichever is later. The cost for the Basic insurance after retirement depends on the election made at retirement. The 75% reduction costs \$.3358 per \$1,000 before age 65; and, after age 65 there is no cost. The 50% reduction before age 65 costs \$.9358 per \$1,000; and, after age 65, \$.60 per \$1,000. If no reduction, the cost before age 65 is \$2.1658 per \$1,000; and after age 65, \$1.83 per \$1,000.

The Standard Option A coverage reduces 2% per month until it reduces to \$2,500. The Additional Option B and the Family Option C coverages reduce 2% per month for 50 months at which time the coverages terminate unless the applicant elects no reduction. The cost prior to age 65 will be based on the annuitant's age. After the annuitant reaches age 65 or retirement, if later, the premiums will terminate. If the no reduction is elected for Options B and/or C, the annuitant will continue to pay at the same rate as active employees. Coverage will not reduce at age 65 and premiums will continue to be withheld from the annuity after age 65. The annuitant may change to full reduction at anytime.

### **Thrift Savings Plan (TSP)**

After retirement, the annuitant can no longer make contributions. The annuitant may leave the money in the TSP and may make interfund transfers, or may select from several withdrawal options. They are:

- transfer account to an IRA or other eligible retirement plan,
- receive lump-sum payment,
- receive equal monthly installment payments, or
- purchase a life annuity.

Effective October 2000, several legislative changes will be implemented (including mixed withdrawals). For more information concerning these changes see <http://www.tsp.gov>.

### **Optional Retirement versus Disability Retirement**

Some employees are under the mistaken belief that it is generally more favorable to retire on disability than to retire optionally. In actuality, an employee eligible for optional retirement is entitled to an annuity at the same rate whether disabled or not. There are, however, additional issues important to disability annuitants both before and after retirement of which the employee should be aware.



- An applicant for disability retirement must prove eligibility through medical and other evidence. There is no "automatic approval."
- A disability annuitant under age 60 must provide annual earning reports, and the annuity is subject to termination if the annuitant is restored to earning capacity.
- A disability annuitant under age 60 must provide medical evidence at his or her own expense, and the annuity is subject to termination if the annuitant is found to be recovered.
- Unless the individual is permanently and totally disabled for all work, Federal income tax provisions no longer offer preferential treatment for disability retirement annuitants. An applicant having questions related to Federal tax treatment should consult with the Internal Revenue Service.
- Disability annuitants are not eligible to elect the alternative form of annuity under 5 CFR Subpart V, Part 831.
- A disability annuitant must make a redeposit for refunded contributions plus interest to receive credit in a CSRS or FERS annuity.
- Disability annuitants are not eligible for a Voluntary Separation Incentive Payment (VSIP).

### **Choosing Between Annuity & Office of Workers' Compensation Program (OWCP)**

Since there is a one year time limit for applying for CSRS or FERS disability benefits, separated employees who are eligible for benefits under the Federal Employees Compensation Act (FECA) should also apply for disability retirement to preserve rights under the retirement system. After the time limit has expired, the separated employee will not have another opportunity to apply. In the event the compensation claimant dies from other than the injury, under **CSRS**, the survivor will not be entitled to any survivor benefit if a disability retirement was not approved. Under **FERS**, if an employee separated with at least 10 years of service and met the minimum retirement age before separation, the survivor may be entitled to a survivor benefit even if the employee did not complete a retirement application.

If the employee is eligible for workers' compensation and retirement, he/she must elect between the two. An individual cannot receive payments from both programs concurrently. However, OWCP will pay compensation for the loss, or loss of the use of a body part, called a "scheduled award." An individual who receives a scheduled award may concurrently receive a disability annuity from OPM.

Once OPM approves a disability retirement, the individual will be considered an "annuitant." This is true even for those individuals who elected to receive OWCP

benefits. The annuity will be suspended during the period of time he/she is receiving OWCP compensation. If the OWCP compensation ends for any reason, OPM will reinstate the annuity payments.

### **Reemployment**

When a **CSRS** annuitant is reemployed, the annuity will continue, and the salary from the new position will be offset by the amount of annuity received. Upon reemployment of a **CSRS** annuitant, the retirement code annotated on the SF 50 must be "4" for "None." The reemployed annuitant may elect to have retirement deductions withheld from the salary. A **CSRS** reemployed annuitant who has decided to have retirement deductions withheld from his/her salary, will have the retirement code, "1" for "CSRS." Social Security deductions are not withheld even when the appointment is temporary. If the reemployed annuitant decides not to contribute to the retirement system, a deposit must be made to receive any credit towards a redetermined annuity or supplemental annuity. Deposits for civilian service are payable to OPM and may be made after separation. The reemployed annuitant must be given a 6-month opportunity to elect **FERS** when there has been more than a 3 day break in service. If the reemployed annuitant elects **FERS**, the retirement code on the SF 50 must be "K" for "FERS."

**CSRS-Offset** reemployed annuitants will be given the same opportunity as **CSRS** reemployed annuitants to contribute to the retirement system. If an election is made to have retirement deductions withheld, the retirement code annotated on the SF 50 must be "C" for "CSRS-Offset." Social Security taxes must be withheld even if the reemployed annuitant does not elect to have retirement deductions withheld. Therefore, if the **CSRS-Offset** annuitant decides not to contribute to the retirement system, the retirement code must be "2" for "FICA."

It is mandatory for **FERS** reemployed annuitants to have retirement and Social Security withheld. The retirement code on the SF 50 must be coded "K" for "FERS" even when a reemployed annuitant is occupying an excluded position.

Upon reemployment, an individual who was approved for disability retirement but decided to receive compensation from OWCP, will be subject to the rules governing reemployed annuitants. In other words, the reemployed annuitant will receive no credit for OWCP time upon return to the work force until a new retirement right is established. To establish this right, he/she must work the equivalent of 5 full-time years or be found, by OPM, to be recovered or restored to earning capacity. If a new right is not established but the reemployed annuitant works at least one full-time year, a supplemental annuity may be earned based on actual time reemployed.

During the first open season, following reemployment, the annuitant may elect to contribute to TSP. This applies even if the **CSRS** annuitant does not elect to have retirement deductions withheld.

### **Personnel Office's Responsibility/Procedure:**

*(See Subchapter 100C Job Aids in the CSRS and FERS Handbook for sample notification letters.)*

The personnel office must inform OPM of the reemployment of an annuitant by providing the following information: CSA claim number; date of birth; annuitant's full name; social security number; type of appointment; date of appointment; and life insurance information. In addition, if the appointment was granted to provide interim relief pending further judicial/administrative review of an agency adverse action (5 CFR 772.102), provide the position description, pay system/grade, medical documentation, signature and agency address. In some situations, OPM may find the annuitant recovered or restored to earning capacity upon reemployment. These individuals are not considered "reemployed annuitants" and the benefits are treated differently. The following steps are outlined to assist you.

1. Notify the reemployed annuitant of the effects of the salary offset, opportunity to elect FERS retirement contributions, election to contribute to the appropriate retirement system, etc.
2. If a CSRS reemployed annuitant elects to have retirement deductions withheld, he/she must provide a dated and signed letter or memo to the personnel office who, in-turn, will submit it to payroll. Retirement deductions are prospective only and are effective the first day of the first pay period following receipt of the reemployed annuitant's request. This election is irrevocable.

3. Counsel the annuitant on the effect of reemployment on FEHB & FEGLI.

**FEHB:** If the appointment is one that allows FEHB coverage and the annuity stops upon reemployment, FEHB coverage is transferred in from OPM by the personnel office. If the annuity stops upon reemployment and the employee did not have FEHB as an annuitant, he/she is given 60 days to enroll as long as the appointment allows coverage. If the annuity continues after reemployment, unless the annuitant waives participation in premium conversion (60 day opportunity) as of the effective date of reemployment, the personnel office must 1) notify OPM of the reemployment via email at [HBPremiums@opm.gov](mailto:HBPremiums@opm.gov), including the annuitant's name, date of birth, social security number, retirement claim number and effective date of reemployment and 2) upon OPM's confirmation, transfer in the FEHB as of the date of reemployment.

**FEGLI:** If the annuity stops upon reemployment, insurance as an annuitant stops without a right to convert to an individual policy. The employee will be given an opportunity to enroll in FEGLI if the separation was at least 180 days; otherwise, he/she retains the previous elections.

If the annuity continues after reemployment, the reemployed annuitant retains the life insurance he/she has as an annuitant. However, if the type of appointment allows coverage, Basic, Standard Optional, and Family Optional insurance are suspended as an annuitant. They will be resumed when the reemployment ends, except for any applicable

reductions that normally begin at age 65. During the reemployment, Basic, Standard Optional, and Family Optional insurance will be in effect as an employee, and withholdings will be made from the annuitant's pay. The Additional Optional insurance will continue to be withheld from the annuity unless he/she requests it be suspended, which means the reemployed annuitant could have Additional Optional insurance as an employee. If the reemployed annuitant chooses to have the Additional Optional insurance as an employee, any declination or waiver of insurance the individual files as a reemployed annuitant will affect the suspended life insurance as an annuitant.

*The following Q & As may be used as a reference for potential disability applicants to assist them in understanding the disability retirement program.*

### **Information for Employees-- Q&A**

#### **Section A. (CSRS Employees)**

##### **1. What requirements must I meet to be eligible for disability retirement?**

You must have become disabled while in a position covered under CSRS. You may retire on disability annuity at any age provided you have at least 5 years of *creditable civilian service* and meet the OPM criteria for being disabled.

##### **2. What is “creditable civilian service”?**

“*Creditable civilian service*” for this purpose includes: (1) service that is subject to CSRS deductions even if a refund has been received and not redeposited, and (2) nondeduction service, i.e., temporary, intermittent. See the personnel representative to verify individual creditable civilian service.

##### **3. Is my military service creditable for retirement purposes?**

Generally, in addition to the required creditable civilian service, active duty military service is credited. If you are in receipt of military retirement pay, you cannot receive credit for any of the military service unless you waive your military retirement pay. A disability annuitant may not receive credit for military service in the annuity computation if receiving a pension or compensation from the Department of Veterans Affairs (VA) in lieu of military retired or retainer pay. Accordingly, you must waive military retired pay and renounce certain types of VA benefits paid in lieu of military retired pay in order to receive credit. For more information on determining whether you would need to renounce your VA benefits, contact your Department of Veterans Affairs representative.

If you were first hired in a covered position **prior** to October 1, 1982, military service is credited without a deposit required. If you choose not to make a deposit for this service, at age 62, OPM will check for Social Security eligibility. If eligible for a benefit, OPM will reduce your annuity by subtracting the military service from the overall length of service. If you were first hired in a covered position **on or after** October 1, 1982, you must make a deposit in order to receive credit for military service.

If you retired from military service based on a service connected disability incurred in combat or caused by an instrumentality of war, or retired under title 10 U.S.C., Chapter 67, you are not required to waive your military retirement.

*Note: If your disability annuity is computed using the guaranteed minimum formula and includes your military service, there is no need to make a deposit.*

**4. What criteria are used to determine if I am eligible for disability retirement?**

The following criteria must be met for an employee to qualify as a disability annuitant: (1) medical condition results in a service deficiency; (2) medical condition will continue for at least 1 year; (3) no reasonable accommodation can be made; and (4) reassignment is not available within the commuting area, at the same grade or pay level.

**5. What is a “reasonable accommodation”?**

Reasonable accommodation is an adjustment to the work, or work site, that would allow you to continue to work. Some examples of a reasonable accommodation are: (1) modifying the work site; (2) adjusting work schedules; (3) restructuring the job; (4) modifying equipment; (5) providing personal assistants; and (6) reassigning or retraining.

**6. How is “commuting area” determined?**

Commuting area is defined as the area and surrounding localities in which employees live and reasonably can be expected to travel to and from their place of employment. *Note: The commuting area is determined by the servicing personnel office.*

**7. What happens if I refuse reassignment?**

If the agency locates one or more vacant positions at the same grade or pay level in the same commuting area and for which you are qualified, the agency will notify OPM of your refusal. OPM will not approve an application for disability retirement if you refuse a reasonable reassignment offer.

**8. Can my employing office place me in a position at a lower grade or pay?**

Your agency may offer you a lower graded position, a position of lesser tenure, or a position in another agency or commuting area, and you may decline the offer without affecting your eligibility for disability retirement. Pay retention may be offered at the agency's discretion.

**9. What must be included in my medical documentation?**

The medical documentation must include, but is not limited to, the following: (1) history of the specific medical condition; (2) clinical findings from the most recent evaluation; (3) assessment and plans for future treatment; (4) diagnosis; (5) expected date of recovery; (6) effect on life activities both on and off the job; (7) explanation of conclusion that the condition has not become stabilized; (8) likelihood that the individual is or is not expected to experience sudden incapacitation; (9) duty restrictions/accommodations are or are not warranted; (10) medical basis for indication of injury or harm if carrying out the duties of the position.

**10. Must the disabling condition be the result of an on-the-job injury or disease?**

No. It makes no difference whether the medical condition occurred on or off-the-job. However, you must be disabled for useful and efficient service. For example, you must be unable to meet the requirements of your position because of the medical condition.

**11. Who determines if I am disabled for useful and efficient service?**

OPM will make a determination based on information provided by you and your servicing personnel office.

**12. What does “*useful and efficient service*” mean?**

It means that you are performing the critical elements of your position at an acceptable level. It also means that your conduct and attendance are satisfactory.

**13. How do I apply for disability retirement?**

You must submit the SF 2801, Application for Immediate Retirement, and provide a SF 3112, Documentation in Support of Disability Retirement Application. The application must include all required medical documentation. Further, if you have FEGLI coverage, you must complete SF 2818, Continuation of Life Insurance Coverage.

**14. If, due to circumstances beyond my control, I become unable to complete and file a disability application, may someone else submit an application on my behalf?**

Yes. A court-appointed individual, spouse, or other member of the immediate family who has assumed responsibility for you, may file your disability application.

**15. What is the time limit for filing an application for disability retirement?**

You must file an application with OPM or your former agency either before you separate from Federal service or within 1 year after the date of your separation.

**16. Once I submit my application for disability retirement to my servicing personnel office, how long will processing take?**

Your servicing personnel office will review your application to ensure it is complete and includes appropriate supporting documentation. If available, an agency medical examiner will review this documentation and your position description to determine if you are unable to perform the duties of your position. Your employing agency will attempt to provide reasonable accommodation. Your retirement package will then be sent, through payroll, to OPM for review and a decision. The inclusion of all required medical information will expedite the adjudication process at OPM.

**17. How will I be notified of OPM’s decision?**

After OPM reviews your application, they will notify both you and your agency of their decision by letter.

**18. When does my disability annuity commence?**

Your annuity commences on the day after you separate, or the day after your last day in pay status.

**19. Can I receive both a disability retirement and a Voluntary Separation Incentive Payment (VSIP)?**

No, an employee who retires on disability is not eligible for a VSIP. An employee who has filed an application for disability retirement and wants to withdraw it may do so, if not yet separated from the employing agency. In cases where OPM has already approved the application, the employee would be eligible for disability retirement upon separation from service and, therefore, not eligible for the VSIP even if the application is withdrawn. Under the retirement law, a former employee may file for disability retirement within 1 year after separation from service. In any case, OPM will notify the former employing agency upon approval of an application for disability retirement. Because OPM's approval of the disability application constitutes a finding that the individual would have been eligible for disability retirement at the time of separation, the individual was ineligible for the VSIP and the agency must then recover any VSIP paid.

**20. I've already submitted my application for disability retirement, but I'm also eligible for optional retirement (i.e., age 55 with 30 years of service). What are the implications if I submit an application for optional retirement, pending approval of the disability?**

Filing a nondisability retirement application after the disability retirement application has been submitted, but prior to approval or separation from service (whichever is later), is deemed to be a withdrawal of the disability application.

**Section B. (FERS Employees)** Information in Section A applies to all employees except for questions 1, 2, and 13. This section addresses those questions as they apply to FERS employees.

**1. What requirements must I meet to be eligible for disability retirement?**

You must have become disabled while in a position covered under FERS. You may retire on disability at any age if you have at least 18 months of *creditable civilian service* and meet the criteria for being disabled.

**2. What is “creditable civilian service”?**

“*Creditable civilian service*” for this purpose includes: (1) service that is subject to FERS deductions, unless it has been refunded; (2) CSRS Offset service, if all CSRS deductions were not refunded; and (3) nondeduction service (that is, temporary or intermittent) performed prior to January 1, 1989, if a deposit is made. See the personnel representative to verify individual creditable civilian service.

**3. Is my military service creditable for retirement purposes?**

Generally, in addition to the required creditable civilian service, active duty military service is credited **if a deposit is made**. If you are in receipt of military retirement pay, you cannot receive credit for any of the military service unless you waive your military retirement pay and make the deposit. You may not receive credit for military service in the disability annuity computation if you are receiving a pension or compensation from the Department of Veterans Affairs (VA) in lieu of military retired or retainer pay.



Accordingly, you must waive military retired pay and renounce certain types of VA benefits paid in lieu of military retired pay and make a deposit in order to receive credit. For more information on determining whether you would need to renounce your VA benefits, contact your Department of Veterans Affairs representative.

If you retired from military service based on a service connected disability incurred in combat or caused by an instrumentality of war, or retired under title 10 U.S.C., Chapter 67, you are not required to waive your military retirement. A military deposit will be required.

#### **4. How do I apply for a disability retirement?**

You must complete SF 3112, Documentation in Support of Disability Retirement Application, along with SF 3107, Application for Immediate Retirement. Attach medical documentation to support your claim. You must also apply for Social Security disability benefits and provide OPM a receipt or a notice of approval/disapproval of disability benefits from the Social Security Administration. If you reside in Virginia, Maryland, the District of Columbia, Delaware, Pennsylvania, or West Virginia, you may participate in FEDMER. FEDMER is a pilot project that is designed to streamline the disability application process by applying for both benefits, FERS and Social Security, through your personnel office. For further information and the applications for Social Security, contact your personnel office. If you have FEGLI coverage, you must complete SF 2818, Continuation of Life Insurance Coverage.